

City of Detroit

CITY COUNCIL

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ANNE MARIE LANGAN
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TO: Ron Kagan, Director
Detroit Zoological Society

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 27, 2010

RE: **2010-2011 Budget Analysis**

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Attached is our budget analysis regarding your department's budget for the upcoming 2010-2011 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Monday, May 3, 2010 at 11:00 a.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Thomas Lijana, Finance Director
Pamela Scales, Budget Department Director
Renee Short, Budget Department Team Leader
Kamau Marable, Mayor's Office

Zoological Institute (44)

FY 2010-2011 Budget Analysis by the Fiscal Division

Summary

On March 1, 2006, the City entered into an agreement with the Detroit Zoological Society (DZS) to manage the operations of the Detroit Zoological Institute (DZI), which include the Detroit Zoo and the Belle Isle Nature Zoo, through June 30, 2020, a period of fifteen years, with an option to renew for successive ten-year terms. The agreement provides for the City to pay \$5.0 million of capital funds within 15 days of the State of Michigan's appropriation of \$4.0 million, and an additional \$5.0 million in fiscal year 2006-2007. The City also agreed to pay an operating subsidy for insurance and security costs, totaling \$900,000 per year, for the first two years (06-07 and 07-08) of the agreement. For the third and all successive years of the agreement, the parties must agree to an annual amount. A subsidy of \$900,000 was requested for 2009-10 but the Mayor's Proposed 2010-2011 Budget reflects a \$765,000 subsidy, which is the same amount approved in the 2009-10 Budget. This subsidy is reflected in Agency 35 – Non-Departmental.

According to DZS's Financial Statements and Other Financial Information for the Years Ended March 31, 2009 and 2008 annual report, it received a total of \$900,000 in funding for each year from the City of Detroit in accordance with the Memorandum of Agreement between the City and the DZS.

Significant Changes in Funding by Appropriation

The City's funding is included in Non-Departmental, as follows:

<u>Appro.</u>	<u>Program</u>	
12161	350095 Zoo Operations	The Mayor's 2009-2010 Proposed Budget includes a \$765,000 general operating subsidy for insurance and security. The subsidy is the same as the prior year.
12152	351385 Zoo Capital Facility Improvements	The Mayor's 2009-2010 Proposed Budget does not provide any funding for facility improvements at the Zoo.

Significant Revenue Changes

All revenues for the Zoo have been transferred to the Zoological Society along with the appropriations.

Issues and Questions

1. Considering the state of the Michigan economy, the Zoo is expected to have a projected surplus of \$8.2M this year. In addition to repaving, painting and other upkeep, what are the plans for the remaining surplus funds?
2. Are there any new campaigns in the planning stages that will enable the Zoo to raise funds for additional capital improvements?
3. In the FYE March 31, 2009, there was an unrestricted State of Michigan transition grant of \$4,500,000. Are there any ideas for replacing this transition grant funding going forward?
4. In the FYE March 31, 2009, investment income dropped by \$1.6M. What is the anticipated earning / loss on investment in the current fiscal year?